

Title:

P.I. Manufacturing, Inc. v. P.I. Manufacturing Supervisors and Foreman Association and the National Labor Union

Facts:

1. **Parties and Background**: Petitioner, P.I. Manufacturing, Inc., engaged in the manufacture and sale of household appliances. Respondent, P.I. Manufacturing Supervisors and Foremen Association (PIMASUFA), allied with the National Labor Union (NLU).
2. **Legislation**: Republic Act (R.A.) No. 6640 was signed into law on December 10, 1987, mandating a statutory wage increase for employees.
3. **Collective Bargaining Agreement (CBA)**: On December 18, 1987, the petitioner and PIMASUFA executed a new CBA. This agreement granted supervisors a wage increase of P625/month, and foremen, P475/month, effective retrospectively from May 12, 1987.
4. **Complaint for Wage Distortion**: Respondents filed a complaint on January 26, 1989, with the NLRC, alleging wage distortion due to the implementation of R.A. 6640.
5. **Labor Arbiter Decision**: On March 19, 1990, the Labor Arbiter favored the respondent's claim, determining a wage increase of 13.5% of their basic pay prior to December 14, 1987, due to wage distortion.
6. **NLRC Appeal**: The NLRC upheld the Labor Arbiter's decision. Petitioner appealed to the Supreme Court, which then referred the matter to the Court of Appeals.
7. **Court of Appeals Decision**: On July 21, 2004, the Court of Appeals modified the Labor Arbiter's decision, adjusting the wage increase to 18.5%.
8. **Motion for Reconsideration**: Petitioner's motion was denied by the Court of Appeals on February 18, 2005.
9. **Supreme Court Motion**: Petitioner filed a motion for reconsideration of the April 18, 2005, resolution which initially denied the review on certiorari.

Issues:

1. **Existence of Wage Distortion**: Whether the implementation of R.A. No. 6640 resulted in wage distortion.
2. **Recognition of Wage Increases via CBA**: Whether the wage increases granted under

the 1987 CBA addressed and corrected any alleged wage distortion.

3. **Entitlement to Wage Increase Above Specific Threshold**: Whether the supervisors and foremen were entitled to wage increases under R.A. No. 6640, despite already receiving wages above P100.

4. **Appropriateness of 18.5% Increase**: Whether the appellate court erred in awarding an 18.5% wage increase, which was argued to be excessively higher than the legislated P10.00 daily increase under R.A. No. 6640.

Court's Decision:

1. **Wage Distortion**: The Court recognized that the statutory increase brought about wage distortion but agreed that this was remedied by the CBA. The intentional quantitative differences in wage rates were acknowledged to be restored.

2. **CBA Wage Increases**: The Court held these increases under the CBA more than covered the statutory adjustments required by R.A. No. 6640. The re-established wage gaps, magnified through CBA increments, effectively nullified any distortions that may have initially arisen.

3. **Entitlement Threshold**: The Court agreed that the enhancements in the CBA surpassed the law's requirements for those earning above P100. It reasserted that R.A. No. 6640 did not mandate across-the-board increases to employees already receiving more than P100 daily.

4. **Modification of Increase**: The Court determined that the 18.5% wage increase decided by the Court of Appeals excessively exceeded legislative intent. Instead, the wage distortion correction facilitated by the CBA was legally sufficient.

Doctrine:

1. **Wage Distortion Correction**: **R.A. No. 6727 and Subsequent CBAs**: They collectively address and nullify wage distortion by ensuring wage increases restore quantitative differentials between various employee groups.

2. **Supremacy of CBA**: Collective Bargaining Agreements take precedence as long as they meet or exceed statutory requirements, reinforcing the agreements as binding and as instruments capable of addressing wage distortions.

Class Notes:

- **R.A. No. 6640**: Statutory adjustment of minimum wages; provisions non-waivable.

- **Wage Distortion**: Disappearance or severe reduction of wage differentials due to

statutory wage increases.

- **Collective Bargaining Agreement (CBA)**: Enforced as law between parties, providing mechanisms for wage adjustments beyond statutory mandates.
- **Labor Codes**:
- **Section 8, R.A. No. 6640 Implementation Rules**: Prohibits offsetting statutory increases with non-statutory increments.
- **Article 1419, Civil Code**: Disallowance of contracting out of statutory wage requirements.

Historical Background:

The case arose during a period of legislative reforms in the late 1980s aimed at improving labor standards and wage conditions in the Philippines. R.A. No. 6640 represented pivotal statutory attempts to elevate wage floors within the burgeoning post-Marcos economic landscape, highlighting efforts to stabilize industrial relations through legislative mandates integrated into collective bargaining paradigms. The procedural developments encapsulate employers' adjustment strategies to legislative wage increases whilst maintaining negotiated labor contracts as pivotal instruments in achieving equilibrium in employer-employee wage structures.